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NORTH CAROLINA AG EXPORT SEMINAR

Going Global: Determining Your Export Potential



NORTH CAROLINA AG EXPORT SEMINAR

Going Global: Selecting Foreign Markets

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Selecting a Market

Peter Thornton

International Marketing

NCDA&CS

You are not alone

- NCDA&CS International Marketing
- USDA Foreign Agriculture Service
- SBTDC
- USDA Aphis
- Freight Forwarders
- Existing Exporters
- Your Buyer

Dance with who brought you

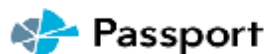
- Your best target audience in the buyer you already know
 - Inbound missions
 - Trade shows
 - Trade leads
- That person is also your best source of information
 - Labeling
 - Competition
 - Import requirements

Where not to export

- Am I allowed to export there?
 - Phytosanitary requirements
 - Import restrictions
- Is it feasible?
 - Shelf life
 - Labeling restrictions
 - Price competition

Available information

- Trade data
 - Ask NCDA to pull trade stats for your product
- Market information
 - Ask NCDA to pull Euromonitor report for you
 - Gain reports from USDA
- Look at market projections



Market Sizes | Historical/Forecast | Year-on-year growth (%)

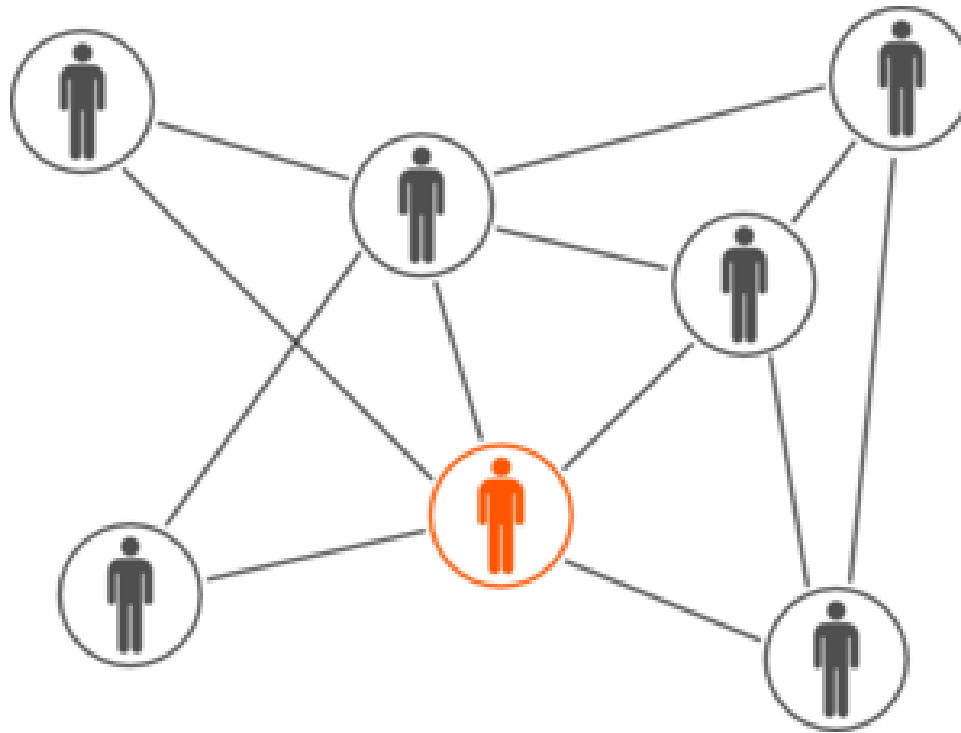
Geography	Category	Data Type	Unit	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023
China	Sweet Potatoes	Total Volume	000 tonnes	1.5	1.3	1.1	1.0	0.8	0.7
India	Sweet Potatoes	Total Volume	000 tonnes	2.9	2.5	2.3	2.1	1.9	1.7
Japan	Sweet Potatoes	Total Volume	000 tonnes	-0.5	-0.4	-0.3	-0.2	-0.1	-0.1
Thailand	Sweet Potatoes	Total Volume	000 tonnes	1.7	1.8	2.0	2.1	2.3	2.5
Vietnam	Sweet Potatoes	Total Volume	000 tonnes	4.2	3.7	3.2	2.7	2.5	2.0
Australia	Sweet Potatoes	Total Volume	000 tonnes	5.8	5.9	6.1	6.4	6.6	6.8
Russia	Sweet Potatoes	Total Volume	000 tonnes	15.2	11.6	8.7	7.0	5.8	4.9
Brazil	Sweet Potatoes	Total Volume	000 tonnes	2.1	1.9	1.8	1.7	1.5	1.3
Mexico	Sweet Potatoes	Total Volume	000 tonnes	1.9	2.0	2.3	2.5	2.7	2.8
Morocco	Sweet Potatoes	Total Volume	000 tonnes	2.0	2.1	2.3	2.3	2.3	2.4
South Africa	Sweet Potatoes	Total Volume	000 tonnes	0.6	1.0	0.8	0.7	0.5	0.5
United Arab Emirates	Sweet Potatoes	Total Volume	000 tonnes	4.9	4.2	4.6	4.9	3.9	4.3
USA	Sweet Potatoes	Total Volume	000 tonnes	6.9	5.7	5.2	4.7	4.3	3.9
France	Sweet Potatoes	Total Volume	000 tonnes	1.2	0.6	1.1	0.6	1.7	1.6
Germany	Sweet Potatoes	Total Volume	000 tonnes	8.3	6.5	4.8	3.4	2.5	2.5
Italy	Sweet Potatoes	Total Volume	000 tonnes	2.6	2.6	2.7	2.5	2.7	2.6
Spain	Sweet Potatoes	Total Volume	000 tonnes	5.7	3.8	3.2	2.9	2.4	2.0
United Kingdom	Sweet Potatoes	Total Volume	000 tonnes	9.3	7.8	4.0	3.7	3.3	3.3

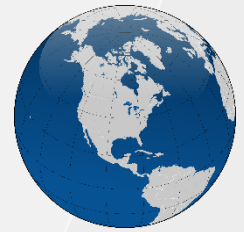
Research Sources:

Fresh Food: Euromonitor from trade sources/national statistics

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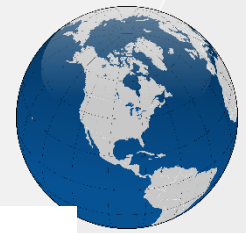
Final Thought





Analytical Model

- Step one: Developing Indicators such as:
 - Product Specific
 - Industry Size (Population, Per capita income, total market)
 - Market Growth (Avg. annual growth projections of total market)
- Step two: Converting Data into Comparable Indicators
- Step Three: Weighing Each Indicator
- Step Four: Analyzing the Results



Initial Research Data

Figure 5.3 MasterFitness Initial Research Data²

Country	U.S. Exports of Exercise Equipment - HS 9506.91 U.S. \$'000	World Imports HS 9506.91 U.S. \$'000	Population (Millions)	GDP Current U.S.\$ (bn)	Total Market for Sports & Rec U.S. \$ Millions	Estimated Growth Sports & Recreation 2017 to 2025
Brazil	6,672	43,011	208	1,796	4,972	24%
Canada	177,214	334,467	36	1,530	21,870	-8%
China	58,953	194,953	1,379	11,199	46,566	67%
France	9,557	324,698	67	2,465	38,878	5%
Germany	47,112	519,190	83	3,467	61,218	9%
Japan	37,798	275,021	127	4,939	58,705	-15%
Italy	2,427	209,770	61	1,850	14,620	9%
India	11,287	42,364	1,324	2,263	967	65%
South Korea	13,244	125,338	51	1,411	31,465	9%
U.K.	54,544	490,666	66	2,619	64,987	30%
U.S.	1,433,834*	2,139,910	323	18,569	155,496	20%

*imports from China to U.S.



Market Selection Model

Country	Indicator 1	Weight	Points	Indicator 2	Weight	Points	Indicator 3	Weight	Points	Indicator 4	Weight	Points	Indicator 5	Weight	Points	Indicator 6	Weight	Points	Total
Brazil	0.4	3	1	0.8	3	2	1.6	0.5	0.8	1.6	1	2	0.8	3	2	3.6	2	7	15
Canada	10.0	3	30	6.4	3	19	0.3	0.5	0.1	1.4	1	1	3.4	3	10	-1.2	2	-2	59
China	3.3	3	10	3.8	3	11	10.4	0.5	5.2	10.0	1	10	7.2	3	21	10.0	2	20	78
France	0.5	3	2	6.3	3	19	0.5	0.5	0.3	2.2	1	2	6.0	3	18	0.7	2	1	42
Germany	2.7	3	8	10.0	3	30	0.6	0.5	0.3	3.1	1	3	9.4	3	28	1.3	2	3	72
Japan	2.1	3	6	5.3	3	16	1.0	0.5	0.5	4.4	1	4	9.0	3	27	-2.2	2	-4	50
Italy	0.1	3	0	4.0	3	12	0.5	0.5	0.2	1.7	1	2	2.2	3	7	1.3	2	3	24
India	0.6	3	2	0.8	3	2	10.0	0.5	5.0	2.0	1	2	0.1	3	0	9.7	2	19	31
South Korea	0.7	3	2	2.4	3	7	0.4	0.5	0.2	1.3	1	1	4.8	3	15	1.3	2	3	28
U.K.	3.1	3	9	9.5	3	28	0.5	0.5	0.2	2.3	1	2	10.0	3	30	4.5	2	9	79
U.S.	80.9	3	243	41.2	3	124	2.4	0.5	1.2	16.6	1	17	23.9	3	72	3.0	2	6	462

Final Market Ranking

Countries	1) U.K.	79
Ranked	2) China	78
by	3) Germany	72
Total	4) Canada	59
Points	5) Japan	50
	6) France	42
	7) India	31
	8) South Korea	28
	9) Italy	24
	10) Brazil	15

Use this type of model as a discussion tool - not the final selection!

Country Versus Market Analysis



- Countries should be described not by borders, but by geographical units
- What determines these units?
- The flow of
 - Investment
 - Industry
 - Information Technology
 - Individual Consumers



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Going Global: Finding Your International Partners



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Legal Aspects of International Trade

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Trade Finance: Financial Risk & Methods of Payment





U.S. Small Business
Administration



Daniel W. Holt
Small Business Administration
704-333-
Dan. Holt@trade.gov

E.R. Distribuidora S. A.
El Vergel 2209
Providencia-Santiago
Fono:341 99 42
Fax: 434 06 47

Robert Vitale
President
Waterwheel Manufacturing
185 Industrial Park Rd
Franklin, NC 28734

Dear Mr. Vitale

It was a pleasure to meet with you at the Alternate Power Trade show in Las Vegas last year. As we discussed my company is involved in a project to convert algae to Bio Diesel in Puente Alto, Chile.

We have reviewed the plans and specifications you have provided and are confident that your 3-meter Scissor Wheel Paddle Wheel will meet our needs in this project.

Therefore, we request a quotation for 10 each of the 3-meter wheels with attached gear box and motor, wired for 220 volts. We would like this delivered DDP (Puente Alto) This will be near the project in Puente Alto.

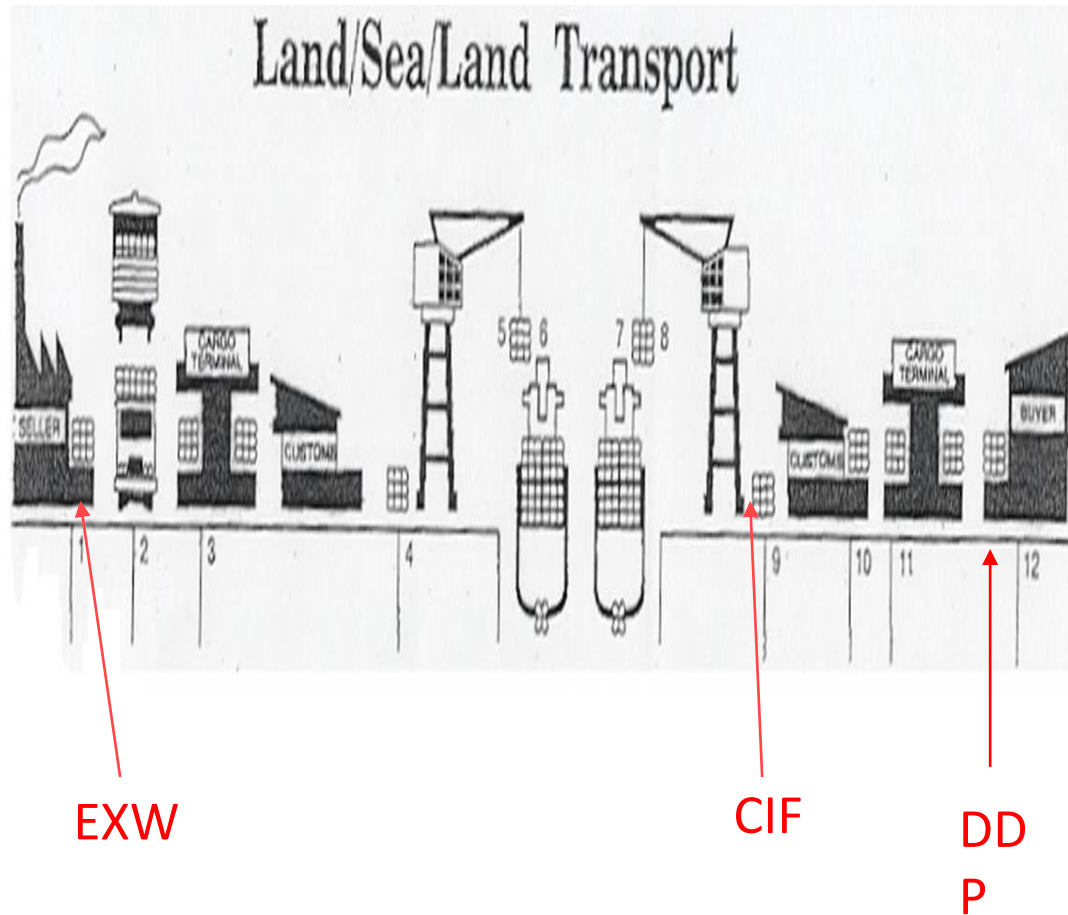
Terms to be 90 days from delivery via wire transfer.

This project is moving forward quickly, and your prompt attention would be appreciated.

Sincerely:

Jose

Incoterms





Dear Dan,

Please find attached rate.

This quote is interactive.

Would you like to?

- [Book it](#)
- [Accept the price](#)
- [Decline](#)

[Click here to Respond](#)

Quote Package #:	969755	Rate Valid From:	17-Aug-2018
Recipient:	US SBA	Rate Valid To:	17-Sep-2018
Declared Value:	70,000.00 USD		
Currency:	USD U.S. Dollar		
Incoterm:	CIP		

Commodity Group: WHEELS (Non-hazardous)

Origin	Destination	Freq/Trans Time	Cont./ Unit Type	Rate Breakdown	Included Surcharges	Transportation Rate	Subject to Surcharges	Carrier Identity
Franklin, NC, US (Door) via: Charlotte, NC, US (Ramp)	To: San Antonio, CL (Port)	Weekly 24 days	Cntr. 40ft of any size	Pick-up: 1,142.40 USD Ocean: 2,704.00 USD	Pick-up: CUC FCR Ocean: EBS OCR OLF BUC CSF CUO- [Orig] FAC LSS OTHC- [Orig] OTSC- [Orig] PCC	3,846.40 USD	Pick-up: CHSC CRS DLOF OWS PPULL VCD Ocean: HOL	Hapag Lloyd
Franklin, NC, US (Door) via: Charlotte, NC, US (Ramp)	To: Valparaiso, CL (Port)	Weekly 30 days	Cntr. 40ft of any size	Pick-up: 1,142.40 USD Ocean: 2,704.00 USD	Pick-up: CUC FCR Ocean: EBS OCR OLF BUC CSF CUO- [Orig] FAC LSS OTHC- [Orig] OTSC- [Orig] PCC	3,846.40 USD	Pick-up: CHSC CRS DLOF OWS PPULL VCD Ocean: HOL	Hapag Lloyd

Bill of Lading

Name	Rate	Load Type	Calculation Assumption (If applicable)	Carrier Identity
DOC	50.00 USD	FCL	1 bill of lading(s) at 50.00 USD USD per bill of lading.	General

Shipment Fees:

Export	Courier Fees: USD35.00	35.00 USD Per Shipment
Export	Marine Insurance: USD531.11	531.11 USD Per Shipment
Export	Certificate of Origin: USD25.00	25.00 USD Per Shipment
Export	Letter of Credit Preparation: --	Subject To
Export	Export Documentation Fee: USD125.00	125.00 USD Per Shipment

Surcharge Legend:

Name	Description	Name	Description
BUC	Bunker Charge	CHSC	Chassis Split Charge
CRS	Chassis Repositioning Surcharge	CSF	Carrier Security Fee
CUC	Chassis Usage Charge	CUO	Chassis Usage Origin
DLOF	Driver Layover Fee	DOC	Documentation Fee
EBS	Emergency Bunker Surcharge	FAC	Forwarding Agent Commission
FCR	Fuel Surcharge	HOL	Handling Fee OLF
LSS	Low Sulphur Surcharge	OCR	Surcharge Placeholder -- OCR
OLF	Origin Land Freight	OTHC	Origin Terminal Handling Charge
OTSC	Origin Terminal Security Charge	OVS	Overweight Surcharge
PCC	Panama Canal Charge	PPULL	Pre-Pull Fee
VCD	Vehicle Detention	---	---

Notes:

Rate is Subject to a Handling fee of 150USD on the rail if weight is over 17.781 tons

Trucking Rates are subject to:

Pre-pull - \$250

Driver Layover - \$750

Overweight surcharge and permit - \$100 & \$50 permit per state

Chassis re positioning - \$200

Chassis split charge - \$150

Tri-Axle fee - \$200

1. Rate is based on CIP Port Valparaiso, CL & Port San Antonio, CL place terms and include the following:

Export booking, chassis rental, empty equipment pick up and placement of container at shipper's door for live load, delivery to Ramp Charlotte, NC, bill of lading preparation and full ocean freight service with all current, applicable surcharges to the Port Valparaiso, CL & Port San Antonio, CL, with marine cargo insurance coverage

When cargo arrives to Port Valparaiso, CL & Port San Antonio, CL the consignee will be responsible for any applicable destination port/terminal/carrier fees as well as customs clearance, duties/taxes.

2. If there are no available chassis at the pick up location of empty equipment, the trucker will assess a "Chassis Split Fee" for the cost of sourcing chassis from an alternate location. This is only applicable on a case-by-case basis.

3. When the driver arrives with empty container, the shipping facility will have 1 hours of free time for loading. Any time above and beyond the 1 hours will result in detention fees, charged 100USD hourly according to the carrier's driver detention policy.

4. Transit time is estimated from Ramp Charlotte, NC to Port Valparaiso, CL & Port San Antonio, CL, barring any unforeseen delays with transport or customs processing.

5. All bookings are subject to filing, space and availability at the time of request. All carrier tariff surcharges are based on

effective date at the time of quotation and are subject to change at the time of cargo receipt.

All business is conducted according to John S. James Co. standard terms and conditions, available at http://johnsjames.com?page_id=637

If you have any questions, please contact Pat Fosberry at 843-207-4017.

John S. James Co.

3820 Faber Place Drive
Suite 300
North Charleston, SC 29405

DISCLAIMER:

John S. James Co. is making every effort to pick-up and/or deliver your cargo timely to/from all inland points. Due to the severe nationwide trucking shortage brought on in part by the new transportation regulations, we strongly recommend when planning future shipments you allow additional time in your supply chain. We suggest you schedule inland appointments at least 4 days prior to loading/delivery.

Shipments subject to [Terms and Conditions of Service](#). Domestic transportation subject to additional terms found [here](#).

The cover letter

- Identifies the type quotation
- Defines the validity period
- Identifies the time frame for the transaction
- What does the customer have to do to start the process?
- Explains your credit policy
- Provides instructions to the buyers bank
- What are the trade terms used?
- Identifies attachments

Waterwheel Manufacturing
185 Industrial Park Rd
Franklin, NC 28734

E.R. Distribuidora S. A.
El Vergel 2209
Providencia-Santiago

Dear Senior Valdese

We are very pleased to hear from you regarding your interest in our Scissor Wheel Paddle Wheels to stir your algae ponds.

Your letter has arrived at a time when we are planning our first sales trip to Chile. We are planning to be in Chile in the month of December. If you are available any time during December, we would appreciate the opportunity to visit your site and discuss future projects concerning the production of Bio-Diesel.

In the meantime, we have enclosed our quotation in the form of a pro forma invoice in response to your letter.

Please note that our payment terms are confirmed irrevocable letter of credit.

We are not able to accommodate your requirement 90-day terms credit

This is our standard payment term for new international customers.

We will be prepared to extend more favorable terms once we have the opportunity to get to know each other better.

We have attached our instructions regarding the opening of the letter of credit, which should be discussed with your bank for their guidance.

We are unable to use the requested DDP Incoterm. We are quoting using the Incoterm CIP Valparaiso. We will transport the product from our shipping dock in Franklin NC to the port of Valparaiso. You will be responsible for clearing customs in Chile and in land transport to your job site.

The trade terms we have used in our quotation are based on Incoterms, 2010 revision. We would appreciate your confirmation that these trade definitions will be acceptable.

Our quotation is valid for 30 days from the above date. Also, we will be able to ship this order with in

30 days of the receipt of your purchase order and a letter of credit written in accordance with the attached instructions. All prices are stated in U. S. dollars.

We look forward to hearing from you regarding the opportunity to meet with you in December

Meanwhile, if you have any additional questions regarding our product or this question, please do not hesitate to contact me directly.

Sincerely

Your letter has arrived at a time when we are planning our first sales trip to Chile. We are planning to be in Chile in the month of December. If you are available any time during December, we would appreciate the opportunity to visit your site and discuss future projects concerning the production of Bio-Diesel.

In the meantime, we have enclosed our quotation in the form of a pro forma invoice in response to your letter.

We are not able to accommodate your requirement 90-day terms credit; however, we can extend open account terms for 90 days from the date of the shipping invoice.

This is our standard payment term for new international customers. We have included in the pro forma a finance charge to cover the 90 day credit terms.

We are unable to use the requested DDP Incoterm. We are quoting using the Incoterm CIP Valparaiso. We will transport the product from our shipping dock in Franklin NC to the port of Valparaiso. You will be responsible for clearing customs in Chile and in land transport to your job site.

The trade terms we have used in our quotation are based on Incoterms, 2010 revision. We would appreciate your confirmation that these trade definitions will be acceptable.

Our quotation is valid for 30 days from the above date. Also, we will be able to ship this order within 30 days of the receipt of your purchase order and a letter of credit written in accordance with the attached instructions.

All prices are stated in U. S. dollars.

Banking



© Can Stock Photo - csp7437612

Types of Banks

- **Retail banks** are probably the banks you're most familiar with: Your checking and savings accounts are held at a [retail bank](#), which focuses on *consumers* (or the general public) as customers. These banks give you credit cards, offer loans, and they're the ones with numerous branch locations in populated areas.

Commercial banks

- focus on *business* customers. Businesses need checking and savings accounts just like individuals do. But they also need more complex services, and the dollar amounts (or the number of transactions) can be much larger. They might need to accept payments from customers, rely heavily on lines of credit to manage cash flow, and they might use letters of credit to do business overseas.

Know Your Bank's Lending Practices

- The character of your Business – the credit report
- Your ability to run the business – the business plan
- What do you bring to the table – equity
- What do you need to borrow – cash flow

Determining Credit Worthiness of Potential Borrower

- **Character** (Management strength and expertise) evaluates a borrower's reputation
 - **Capacity** - measures a borrower's ability to repay a loan by comparing cash flow against recurring debts (Defines what they do, how will lender get paid, walk through a transaction)
 - **Capital** - is what the borrower puts toward a potential investment – the larger contributions by the borrower the less likely the chance of default
 - **Collateral** - such as property or fixed assets, secures the loan
 - Conditions** - of the loan, the interest rate and repayment structure, will influence the loan decision to finance the borrower
- Sometimes there is a sixth:**
- **Commitment** — do owners have the will to succeed and a deep personal commitment – emotionally and financially – to the success of the business

Have a Business Plan

- A brief history of your business
- An export marketing plan
- Export Administration plan
- Export Finance Plan
- How will you be paid?

Business Plan Goals

Demonstrate that **your** business has chances for growth and that the time the banker must put into your business **makes economic sense for the banker** (and his shareholders!) as well.

- Take your business and personal financial statements

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Trade Finance: Financial Risk & Methods of Payment



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Who Can Help?

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Export Partners

- ▶ Economic Development Partnership of North Carolina (EDPNC)



- ▶ U.S. Commercial Service



Export Partners



- ▶ Small Business & Technology Development Center



- ▶ U.S. Small Business Administration



Export Partners

- ▶ **Southern US Trade Association**
 - ▶ Market Access Program
 - ▶ 50% Cost Share
 - ▶ Ag Trade Promotion Program



- ▶ **USDA Foreign Agricultural Service**
- ▶ **U.S. Embassies abroad**



NC Port Authority: Wilmington

- ▶ Recent berth widening to accommodate larger container vessels
- ▶ Awaiting the arrival of their 3rd neo-Panamax crane to efficiently operate the largest ships calling the East Coast.
- ▶ Cold storage facility



Export Partners

- ▶ N.C. District Export Council



- ▶ N.C. Department of Agriculture & Consumer Services



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